House Energy and Commerce Committee

Testimony of Dave Schwietert, CEO and president (interim), Alliance of Automobile Manufacturers

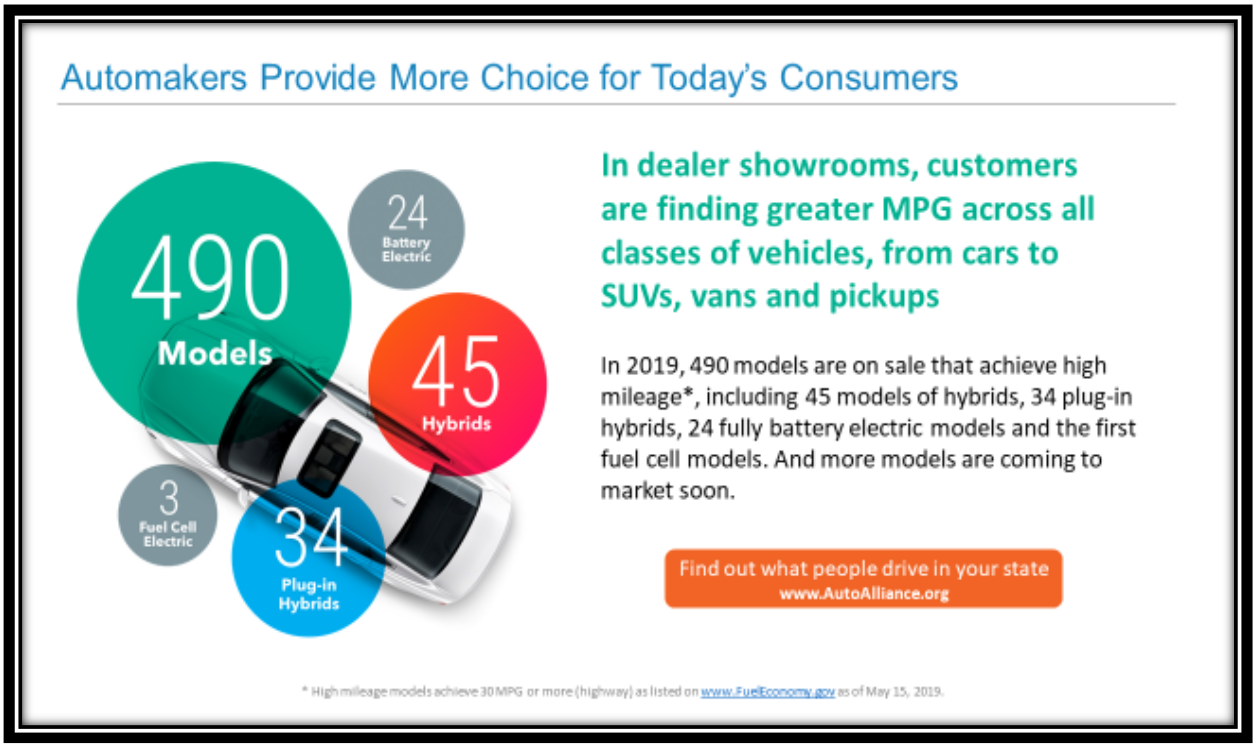
June 20, 2019

Good morning Chairwoman Schakowsky, Ranking Member McMorris Rodgers, as well as Chairman Tonko, Ranking Member Shimkus and members of the subcommittees.

I represent 12 leading automakers from three continents who manufacturer over 70 percent of new passenger vehicles sold in the U.S.

By creating jobs, fueling innovation, building exports and advancing mobility, automakers are **driving the American economy forward**. No other single industry is linked to so much of U.S. manufacturing or generates so much retail business and employment. Nationwide, nearly 10 million workers and their families depend on the auto industry.

Automakers are committed to a cleaner future. The auto industry has invested billions of dollars on powertrain development and that investment is paying off – automakers are providing customers with record-breaking **choice in fuel-efficient vehicles**.



Today, more than 490 models are on sale that achieve at least 30 miles per gallon, an increase of nearly 70 percent from the 2012 model year. And more alternative powertrains are on sale, including 45 models of hybrids, 34 plug-in hybrids, 24 fully battery electric models and three fuel cell models.

These **investments are making a difference** – both for consumers and the environment. Since 2005, real-world fuel economy has increased from 19.9 miles per gallon (MPG) to a projected 25.4 MPG in 2018 – which represents about a 27.6 percent fuel economy improvement for the new car fleet.[1] These record efficiency gains are important, but they are not the only success story. Today, per mile carbon emissions from new passenger vehicles have dropped 22 percent in just 15 years which approaches the goals of the Paris Climate Accord for the U.S. to reduce economy-wide greenhouse gas emissions by 26-28 percent over 20 years.[2]

Alliance members have committed to a **roadmap for fuel economy** and clean car progress. According to consumer research, our customers want it all which is why automakers are committed to offering more energy-efficient autos with fewer emissions and the latest safety technologies. Automakers seek to accomplish this while working to keep new automobiles affordable.

Simply put, automakers support year-over-year increases in fuel economy that align with market demand, and we support a data-driven final rule and one national program.

One national program is important for many reasons. In the last decade, automakers have been subject to three different regulators – NHTSA, EPA and the California Air Resources Board (CARB) - pursuing similar objectives in different ways. Redundant government programs drive compliance costs and that ultimately comes out of the wallets of our customers. Automakers worked with the three regulators to more closely align standards in two rulemakings covering Model Years 2012-2016 and 2017-2025. The result was what is now called One National Program. Unfortunately, to this day, we still have three separate programs; however, One National Program is still good policy to keep new vehicles affordable so more Americans can buy a new vehicle, replacing older and less fuel-efficient autos.

Automakers also support a **data-driven final rule**. When the MY 2012-2025 standards were in development, a Mid-Term Evaluation was planned to be completed by April 2018, halfway through the 14-year rulemaking. This evaluation was intended to compare assumptions made in 2012 or earlier with what actually happened to evaluate whether future standards should be maintained, or to adjust the standards up or down depending on a wide range of factors.

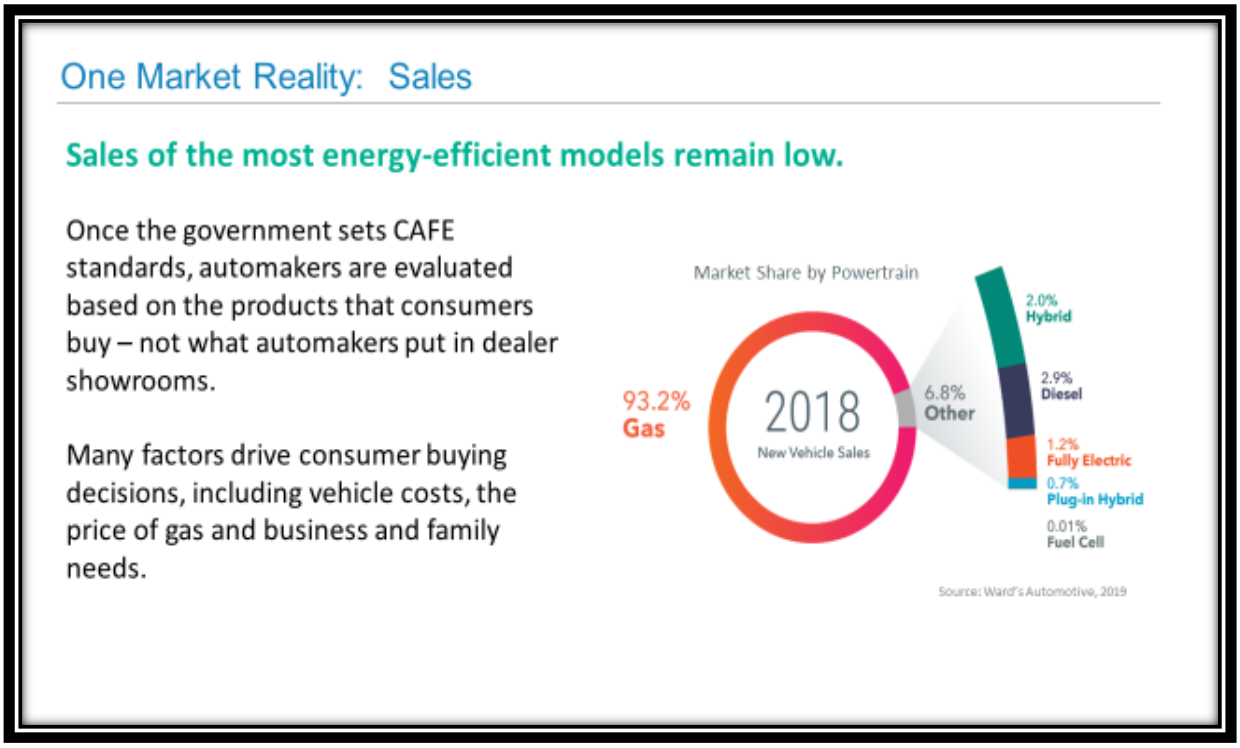
One **market reality** is clear. No factor is more relevant than gas prices, which remain significantly lower than projected in 2012, when fuel economy standards were last set.

[1] U.S. Environmental Protection Agency, The 2018 Automotive Trends Report: Greenhouse Gas Emissions, Fuel Economy, and Technology since 1975, EPA-420-R-19-002, (March 2019) at 32.
[2] First U.S. Nationally Determined Contribution submission in accordance with the UN Paris Agreement

As a result, consumers are buying more SUVs and pickups, larger engines and fewer alternative powertrains like hybrids and electric vehicles than regulators expected.

The clear challenge facing automakers is that **consumer preferences do not align** with compliance targets originally envisioned back in 2012. Under current Federal regulations, automakers are judged by what consumers buy, not what we offer for sale. Consumers have many different preferences, goals or priorities when purchasing a new vehicle. The market demonstrates that many of these preferences – notably affordability, safety and reliability – rank much higher than fuel economy.

Despite record numbers of models of alternative powertrain and fuel efficient vehicles being offered in dealer showrooms, **sales of these vehicles remain low** – less than 4 percent of all new vehicle sales last year. If you remove hybrid vehicles, plug-in EVs account for less than 2 percent of all sales nationwide.



The marketplace reality can be seen very clearly by looking at the **top-selling vehicles in your own congressional districts**.

- A pickup is the top-selling new vehicle in 289 congressional districts, or (66%). There are 150 congressional districts (of a third of Congress) where the top *three* selling vehicles are pickup trucks.
- SUVs/CUVs are the top-selling vehicles in 85 congressional districts (19%)
- Sedans are the top-selling vehicles in 56 congressional districts (13%)

To put it concisely, at present, consumer preferences and market realities do not align with policy aspirations outlined in 2012. As noted in the most recent EPA Automotive Trends Report

for MY 2017 vehicles, there is a substantial gap between government targets and what Americans are buying. In fact, only about 5 percent of MY 2018 models meet the 2023 greenhouse gas (GHG) standards. And, not all MY 2018 models of *hybrids* meet the MY 2025 GHG targets.

The previous MY2022-2025 standards do not reflect market realities and, therefore warrant adjustment. Likewise, a federal standard that causes a split with California and the 13 other states, breaking up One National Program, will create a bifurcated market, not to mention prolonged litigation – adding uncertainty as well as additional costs to automakers and consumers, possibly limit consumer choice in some areas, and effectively providing less environmental benefit than a single national standard.

This, therefore, requires compromise, understanding and a willingness to find a path forward that serves all interests. This is why **automakers remain steadfast in our support of an agreement that balances environmental goals, consumer preferences and market realities**. Our priorities remain unchanged:

- Automakers want to continue increasing fuel economy to provide our customers with more energy-efficient vehicles with greater emissions reductions and the latest safety technology.
- We want to partner with public/private groups to get more energy-efficient vehicles on our roads via charging/fueling infrastructure, consumer incentives, government fleet sales and car-sharing and ride-sharing programs.
- We want to continue increasing investments in research and development for more advancements in safety and efficiency.
- And, we want to do all this while keeping vehicles affordable for consumers.

When it comes to fuel economy, the auto industry is committed to ongoing progress in a journey that has no end date. After all, automakers have invested substantially in energy-efficient technologies that we would like to see consumers embrace. We expect that fuel economy will keep rising. The only issue is at what speed.